

Obama, Letterman, and the 'I' Word

Originally published at: <http://inequality.org/obama-letterman-i-word/>

Posted on May 6, 2015 by Salvatore Babones

If President Obama really wants upward mobility for poor people, then he should support downward mobility at the top.

By Salvatore Babones

On May 5, 2015 headlines around the world proclaimed the news that President Barack Obama — the first African-American president of the United States — had finally awoken to the problems of inequality in minority communities across America.

Appearing on the CBS Late Show with David Letterman the President traced the protests in Baltimore and Ferguson to the long-term persistence of “pockets of poverty, lack of opportunity, lack of education, all across this country.”

Not just in Salt Lake City but also in Australia, Ireland, Malaysia, Pakistan, Singapore, and the United Kingdom, news organizations led with headlines like “Obama to Fight Inequality in Minority Communities.”

But President Obama himself never mentioned the “I” word: Inequality. He rarely does. When he does talk about inequality he usually hedges by shifting the focus to economic mobility.

On the Letterman show the President emphasized the need for better early childhood education, access to college education, and mentorship for minority youth. These are all noble goals. But none of them would do much to change the underlying inequalities that afflict minority communities.

At best they would promote economic mobility, an ideal that the President has returned to again and again. Like many establishment political figures, President Obama seems to believe that economic mobility is the cure for high inequality.

In the President’s words, the “lack of upward mobility ... has jeopardized middle-class America’s basic bargain — that if you work hard, you have a chance to get ahead.” The underlying implication is that inequality isn’t so bad as long as everyone has an equal chance to succeed.

Economic mobility is not necessarily a bad thing. Many of us would like to see top billionaires like Bill Gates, Larry Ellison, and especially the brothers Charles and David Koch brought down a few notches. Even the saintly Warren Buffett acknowledges that he is undertaxed.

But increased economic mobility won’t improve the structure of society. While it might be nice to have different rich people and different poor people every year, the more fundamental problem is the widening gap between rich and poor.

Upward mobility doesn’t reduce poverty if it is offset by downward mobility somewhere else. And if President Obama only wants upward mobility for today’s poor people without downward mobility for other people, then what he really wants is to reduce inequality.

Increases in economic mobility do not tend to reduce inequality, but reductions in inequality do tend to increase economic mobility. This is not a paradox. It is simple arithmetic.

Increasing economic mobility in a country changes people’s positions in society but it doesn’t change society. For example, in recent decades countries like the United States have made it easier to hire

and fire people. This results in a lot of economic mobility — from unemployed to employed and back again — but no change in the overall level of inequality.

But in countries that have low inequality it is easier to move from poor to rich (or from rich to poor) because the gap between rich and poor is very small. Random life choices can completely change a person's position in society, resulting in high overall economic mobility.

Imagine if every American earned between \$40,000 and \$60,000 a year. There would be enormous economic mobility because very small differences in a person's income would result in very big differences in that person's relative position in society. Low inequality leads to high mobility.

That's why post-war America, with its strong unions, high wages, and increasing regulations had both lower inequality and higher mobility than today's America. Unions and regulations tended to reduce mobility a little, but this was far outweighed by the positive effects of low inequality.

Low economic mobility is a problem, but it is not a problem that can be solved in isolation. The real problem — the master problem behind many of America's ills — is inequality.

A dozen or more of the sixteen policy proposals in my new book *Sixteen for '16: A Progressive Agenda for a Better America* would lead to lower inequality in America, among them federal job creation, a rededication to public education, higher taxes on higher incomes, regulations on Wall Street, and a living minimum wage.

The protests in Ferguson, Baltimore, and around the country are first and foremost about aggressive policing and the value of black lives. But as President Obama recognizes, they are ultimately about poverty and inequality.

The President wants to give poor minority youths the opportunity to rise out of poverty. That is a laudable goal. But it won't solve the root problem of high inequality.

Reduce inequality and you solve the problems of society, not just the problems of Baltimore and Ferguson. President Obama has not taken on this challenge. Hopefully the next president will.